

## Committee Republican Leadership: Reduce Pay For Fannie And Freddie Executives, Protect Taxpayers

WASHINGTON -On Christmas Eve, the Obama Administration approved \$6 million cash compensation for the chief executives of Fannie Mae and Freddie Mac. The approval of these multi-million dollar compensation packages contradicts the Administration's stance of reducing what it described as "excessive compensation" at financial institutions. Financial Services Committee Republican leadership, led by Ranking Member Spencer Bachus, believe these executives should not be rewarded with \$6 million in compensation at the taxpayers' expense. The Committee leadership introduced legislation to protect taxpayers from having to foot the bill for multi-million dollar pay packages for executives of Fannie Mae and Freddie Mac that were approved by the government.

Ranking Member Spencer Bachus said, "There is no better example of the kind of misaligned compensation incentives that contributed to excessive risk-taking in the financial industry than those that were, and continue to be, in place at Fannie Mae and Freddie Mac. As a result of the government's bailout and takeover of these institutions, U.S. taxpayers now own at least 80 percent of the two enterprises and they have effectively become government entities. The goal of this legislation is to ensure that taxpayers are protected from rewarding executives at these entities with out-sized compensation packages while they are a government agency."

H.R. 4476, the Equity in Government Compensation Act, would suspend the compensation packages of executives at Fannie and Freddie that have been approved for 2010, and subject these executives to compensation equal to the rate of pay for Federal employees. The legislation also expresses the sense of the Congress that each executive should return excessive compensation received in 2009 and those funds should be used to reduce the federal budget deficit.

"American taxpayers never wanted to own these institutions, but they do," said Rep. Judy Biggert. "And like any smart employer, they have no intention of rewarding negligence and poor management in the workplace. If anyone deserves a bonus for their sacrifices during this financial mess, it's the taxpayers. I thank Rep. Bachus for his leadership on this issue."

The GSEs are expected to become a long-term drain on the taxpayers as a result of market conditions and the political and public policy mandates imposed on them by the Administration and Congress. In spite of these liabilities, at the end of 2009, the Treasury and the Federal Housing Finance Agency (FHFA) approved compensation packages for Fannie and Freddie's chief executive officers of \$ 6 million. Treasury and the FHFA also approved multi-million dollar compensation packages for a number of the GSEs' top executives, payable in cash.

"As hard-working families across our nation see their taxpayer dollars going to prop up and support Fannie Mae and Freddie Mac, taxpayers shouldn't also have to foot the bill for outrageous salaries for the firms' top executives," said Rep. Shelley Moore Capito. "This is a common-sense piece of legislation and I'm proud to join my colleagues in sponsoring this bill."

The Congressional Budget Office has concluded that Fannie and Freddie have effectively become government entities whose operations should be included in the Federal budget. The Administration is using Fannie and Freddie as instruments of Federal housing policy, making it less likely that they will ever be returned to private ownership.

"I don't believe the American people want the quasi-government bureaucrats who have helped these two financial Frankensteins lose more than \$110 billion of taxpayer money to make a dime more than the actual government bureaucrats who helped create the financial Frankensteins in the first place," said Rep. Jeb Hensarling.

"The American public should be outraged at the multi-million dollar taxpayer-funded bonuses given to the executives of Fannie Mae and Freddie Mac," said Rep. Scott Garrett. "These organizations were ground zero for the mortgage market meltdown, contributing to an economic decline that has cost Americans over 7 million jobs. I fail to see the logic in rewarding executives presiding over companies that are such complete failures, the only thing they do effectively is drain money from taxpayers. As they have become wards of the state as a result of their deficiencies, I feel it is Congress' duty to intervene with regard to executive compensation."

In September 2008, the Treasury Department, Federal Reserve Board, and FHFA exercised authority granted by the Congress to place the two GSEs into conservatorship, a form of nationalization that puts the regulators firmly in control of the GSEs' daily operations. As a result of the government's actions, the taxpayers now own at least 80 percent of Fannie and Freddie.

[Click here to view a copy of the legislation.](#)

NOTE: Yesterday, Ranking Member Spencer Bachus sent this letter to Chairman Barney Frank expressing his disappointment that his request to have Edward DeMarco, the Acting Director of the Federal Housing Finance Agency (FHFA), testify at Friday's hearing on compensation in the financial industry was denied.